

Q2 2013



City of Seal Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

Seal Beach In Brief

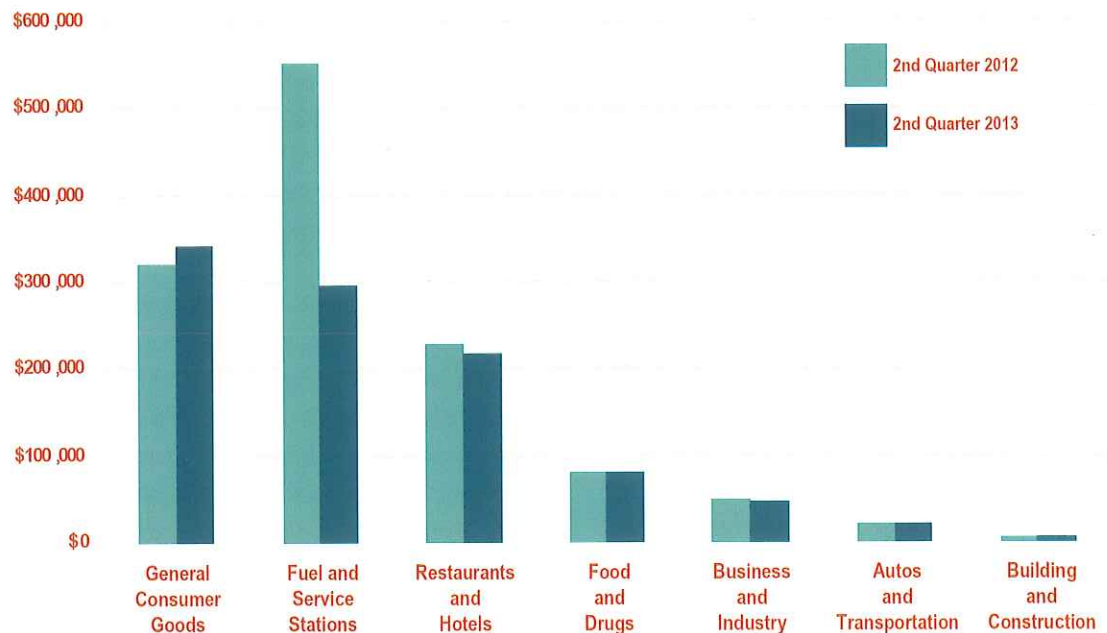
Receipts for Seal Beach's April through June sales were 18.9% lower than the same quarter one year ago. Actual sales activity was down 18.7% when reporting aberrations were factored out.

Decreased sales activity led to a major decline in the fuel and service stations group. Accounting adjustments that inflated year-ago returns exaggerated the drop in the restaurants and hotels group. The business and industry group experienced mixed results with a slight net loss in receipts.

Recent outlet additions helped increase revenues in the general consumer goods group while sales activity rose in the food and drugs group.

Adjusted for aberrations, taxable sales for all of Orange County increased 5.2% over the comparable time period, while the Southern California region a whole was also up 5.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

AT&T Mobility	Old Ranch Country Club
Bacardi USA	
Bed Bath & Beyond	Original Parts Group
Chevron	Ralphs
Chevron	Roger Dunn Golf Shop
College Park Mobil	Seal Beach Mobil
Conkle 76	Spaghettini
CVS Pharmacy	Target
Energy Tubulars	Toys R Us
Home Goods	Vons
In N Out Burgers	Walts Wharf
Kohls	World Wide Technology
Leisure World Automotive 76	
Marshalls	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$1,256,358	\$1,009,573
County Pool	125,599	111,428
State Pool	1,239	698
Gross Receipts	\$1,383,196	\$1,121,699
Less Triple Flip*	\$(345,799)	\$(280,425)

**Reimbursed from county compensation fund*

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

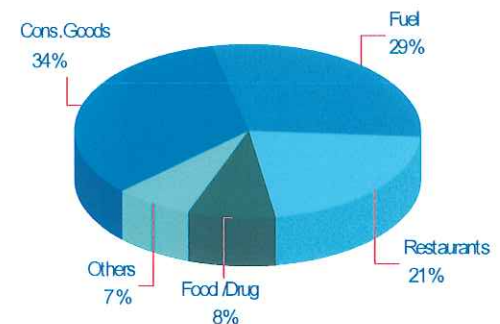
ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

SALES PER CAPITA**REVENUE BY BUSINESS GROUP**

Seal Beach This Quarter

**SEAL BEACH TOP 15 BUSINESS TYPES**

Business Type	Seal Beach		County	HdL State
	Q2 '13*	Change	Change	Change
Department Stores	36.4	0.4%	0.8%	0.2%
Discount Dept Stores	— CONFIDENTIAL —		3.5%	2.3%
Drug Stores	22.5	-0.1%	-3.9%	0.7%
Family Apparel	28.5	-1.0%	8.6%	4.7%
Grocery Stores Liquor	— CONFIDENTIAL —		2.1%	2.6%
Home Furnishings	44.8	-5.0%	7.9%	6.8%
Leisure/Entertainment	— CONFIDENTIAL —		57.4%	26.5%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-9.3%	-3.0%
Restaurants Beer And Wine	54.5	-14.9%	-0.4%	0.3%
Restaurants Liquor	88.2	0.3%	7.2%	9.3%
Restaurants No Alcohol	58.8	-5.4%	5.8%	5.9%
Service Stations	113.9	-8.7%	-7.0%	-5.7%
Specialty Stores	36.8	199.3%	6.0%	5.1%
Sporting Goods/Bike Stores	21.2	-4.5%	2.9%	4.1%
Women's Apparel	33.8	-0.7%	-0.9%	2.9%
Total All Accounts	\$1,009.6	-19.6%	4.5%	7.0%
County & State Pool Allocation	112.1	-11.6%		
Gross Receipts	\$1,121.7	-18.9%		

*In thousands